

# Gaming Update



September 2007

## Contents

Charitable Gaming Industry Marks Its 30th Year .....	2
Legislative Council - Regulation of Gambling.....	2
Raffle Law Change.....	3
New IRS Reporting Requirement.....	3
Analysis of Gaming Activity.....	4
Top 20 Organizations.....	5
Lottery Update.....	5
Gaming Advisory Board.....	6
New Employee.....	6
Tribal Gaming Operations in North Dakota.....	7
New Gaming Tax Return Booklets Mailed.....	back
On-Line Tax Return Forms Updated.....	back

A copy of **GAMING UPDATE** is provided free of charge to all gaming distributors and organizations, and to the Gaming Commission and Advisory Board members. Please share this newsletter.

## State Gaming Commission and Advisory Board Meeting

A joint meeting of the State Gaming Commission and the Gaming Advisory Board will be held on Thursday October 18, 2007, beginning at 1:00 PM in the Fort Union Room at the State Capitol in Bismarck.

Several topics will be discussed, including: an update on Senate Concurrent Resolution No. 4011 directing Legislative Council to study the formation of a North Dakota Gaming Commission to regulate and control all forms of gaming in the State; the status of the Gaming Division's compliance review program; continuation of temporary waivers to allow prize boards through pull tab dispensing devices; and demonstration and consideration of an electronic pull tab dispensing device.

Representatives of all organizations, distributors, and manufacturers are welcome to attend this meeting. If you plan to attend this meeting and need special facilities or assistance related to a disability, please contact the Gaming Division of the Office of Attorney General at least three (3) days before the meeting at 701-328-4848 or 1-800-326-9240.

## Employee Acknowledgment Form

An updated Employee Acknowledgment form is enclosed and also can be obtained through this office's web page at [www.ag.nd.gov](http://www.ag.nd.gov). Based on the law changes that took effect on either July 1 or August 1, 2007, which were highlighted in the June 2007 edition of the *Gaming Update* newsletter, all Gaming Managers and bookkeepers (if the organization conducts raffles or bingo) should review and acknowledge, in writing, that they have read and understand the new law changes relating to their job duties.

Although not required, it may be a good opportunity for these employees to review the entire North Dakota Century Code (Games of Chance) laws relating to their job duties.

# Charitable Gaming Industry Marks Its 30th Year

On April 22, 1977, House Bill No. 1264 was filed with the Secretary of State establishing provisions for conducting charitable gaming in the State of North Dakota. The bill contained an emergency measure which made it effective on the date it was filed with the Secretary of State. The bill was enacted without approval or disapproval from presiding Governor Art Link.

The House bill was introduced following passage of a **Constitutional Amendment** in 1976 which granted the legislative assembly authority to legalize nonprofit veterans', charitable, educational, religious, or fraternal organizations, civic and service clubs, or such other public-spirited organization as may be recognized, to conduct games of chance when the entire net proceeds are devoted to educational, charitable, patriotic, fraternal, religious, or other public-spirited uses.

Under the original 1977 law, the only game types permitted were bingo, raffles, pull tabs, jars, and punchboards. Additional game types were added in subsequent legislative sessions. The original bill also contained specific definitions of each legalized game type, which were ultimately removed and replaced with more generic definitions outlined in the administrative rules.

Licensing of both eligible organizations and distributors was originally established for April 1<sup>st</sup> of each year based on the effective date of the enacted legislation. Later, annual licensing of the eligible organizations was transferred to July 1<sup>st</sup>. The 1977 legislation also provided for an annual tax of 3% of the adjusted gross proceeds, payable to the Office of Attorney General.

Although many things have changed over the past 30 years, the original intent to allow eligible organizations to generate substantial funding to devote to numerous worthwhile eligible uses has not changed.

Congratulations on the 30<sup>th</sup> Anniversary of the Charitable Gaming Industry!

## Legislative Council ~ Regulation of Gambling

### Study of Formation of a North Dakota Gaming Commission to Regulate and Control All Forms of Gambling

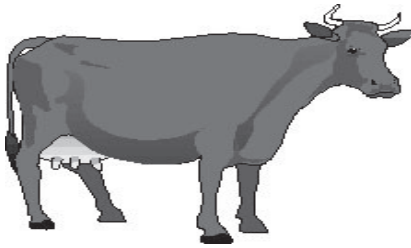
As reported in the June 2007 edition of the *Gaming Update* newsletter, the 2007 Legislative Assembly passed Senate Concurrent Resolution No. 4011 directing Legislative Council to study the possible formation of a single North Dakota Gaming Commission to regulate and control all forms of gaming in the state.

A meeting of the Judiciary Committee will be held on **Tuesday, September 18, 2007**, in the Roughrider Room of the State Capitol in Bismarck to begin this study process. The Judiciary Committee is comprised of Representatives Klemin (Chairman), Boehning, Dahl, Delmore, Heller, Kingsbury, Koppleman, Kretschmar, Schneider, and Wolf along with Senators Fiebiger, Lyson, Nelson, Nething, Oehlke, and Olafson.

A copy of the Committee's agenda is available on the Legislative Council's web page at [www.legis.nd.gov/council/interim/meetings/](http://www.legis.nd.gov/council/interim/meetings/).



# Raffle Law Change



As a result of the August 1, 2007, change in maximum single cash prize limit for raffles, the conversion value of live beef or dairy cattle, bison, sheep, horses, and pigs offered as a raffle prize has increased from a maximum of \$1,000 to \$4,000. All other conditions for raffling live animals remain the same including that raffle tickets must contain a statement that the person who wins the live animal may convert the prize to a cash prize which must be equal to the lesser of the market value of the animal or \$4,000.

In addition, the animal to be raffled may be donated or purchased by the organization and the donor or seller of the animal shall determine the market value of the animal. See North Dakota Century Code 36-21.1-09(2) (Use of certain birds as advertising devices – Use of live beef or dairy cattle as raffle prizes – Gifts of animals) on the state's website at [www.nd.gov](http://www.nd.gov) under the heading "Government" and "Century Code" for additional information regarding the raffling of live animals.

## New IRS Reporting Requirement for Small Tax-Exempt Organizations



The Internal Revenue Service has asked the Office of Attorney General to assist in notifying small tax-exempt organizations that they may be required to file a new Form 990-N. Small tax-exempt organizations with gross receipts of \$25,000 or less are not required to file Form 990 or Form 990-EZ (Return of Organization Exempt From Income Tax). However, these organizations are now required to file the electronic Form 990-N.

The IRS calls the new form an e-Postcard because it is short, easy, and electronic. The IRS is encouraging everyone, including individual volunteers, tax practitioners, and large organizations, to spread the word about the new e-Postcard reporting requirements. This new annual reporting requirement was created by The Pension Protection Act of 2006.

This new filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches. Other exempted types of organizations are listed on the IRS website. The Pension Protection Act of 2006 provides that if an organization fails to file this required statement for 3 consecutive years it will automatically lose its tax-exempt status.

The Form 990-N format and processing instructions are not yet complete. Details will be posted on the IRS webpage at [www.irs.gov/charities/index/](http://www.irs.gov/charities/index/) as they become available. The first e-Postcards are due in calendar year 2008. If organizations have any questions they can contact the IRS at 1-800-829-1040.



# Analysis of Gaming Activity

The amount of money wagered on charitable games of chance for the quarter ended March 31, 2007, was down by 1% or (\$709,045) when compared to March 31, 2006. The largest decreases were in pull tabs conducted in dispensing devices (\$712,133) or -5.4%, bingo (\$544,758) or -6.0%, and paddlewheels with a table (\$101,504) or -7.4%, while raffle activity had an increase of \$300,884 or 16.7%, club specials, tip boards, seal boards, and prize boards had an increase of \$75,586 or 28.4%, and poker which is now listed as a separate line item had gross wagers of \$539,706.

## Quarter Ended March 31, 2007

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$8,579,764	\$6,528,729	\$2,051,035
Raffles	1,803,264	773,986	1,029,278
Pull Tabs	22,757,032	17,915,527	4,841,505
Pull Tabs - Dispensing	12,530,908	9,727,917	2,802,991
Club Specials, Tip, Seal & Prize Boards	265,940	195,669	70,271
Punch Boards	2,400	1,930	470
Sports Pools	47,346	38,259	9,087
Twenty-One	19,687,467	16,529,787	3,157,680
Calcuttas	28,930	23,683	5,247
Paddlewheels	42,410	19,627	22,783
Paddlewheels – with Table	1,276,527	890,630	385,897
Poker	539,706	436,657	103,049
Other (Cash Long/Interest)	<u>12,285</u>	<u>0</u>	<u>12,285</u>
<b>Totals:</b>	<b>\$67,573,979</b>	<b>\$53,082,401</b>	<b>\$14,491,578</b>

Less: ND Excise Tax	\$1,531,977
Federal Excise Tax	22,618
Bingo Sales Tax	<u>486,196</u>
<b>Total Adjusted Gross Proceeds</b>	<b>\$12,450,787</b>

Less: Gaming Tax	\$846,788
Total Allowed Expenses	<u>7,131,642</u>
Total Deductible Expenses	\$7,978,430
 Net Proceeds Earned	 \$4,472,357
 Eligible Use Contributions	 \$4,791,092



# Top Twenty Organizations

Quarter Ended March 31, 2007

Name	Active Sites	Gross Proceeds	Prizes	Adjusted Gross Proceeds
ND Association for the Disabled, Grand Forks	12	\$6,820,726	\$5,387,726	\$1,433,000
Plains Art Museum, Fargo	2	3,752,987	2,961,281	791,706
Prairie Public Broadcasting, Inc., Fargo	8	3,152,841	2,466,735	686,106
West Fargo Hockey Assn., Inc., West Fargo	7	1,635,407	1,267,775	367,632
Minot Junior Golf Association, Inc., Minot	8	1,788,760	1,427,852	360,908
Grand Forks Blue Line Club, Inc., Grand Forks	2	1,657,638	1,309,428	348,210
Bismarck-Mandan CVB, Bismarck	6	1,701,683	1,380,229	321,454
Minot Hockey Boosters, Inc., Minot	21	1,629,375	1,332,320	297,055
Listen Inc., Grand Forks	6	1,351,833	1,063,388	288,445
Fort Abraham Lincoln Foundation, Mandan	16	1,413,995	1,127,316	286,679
The Team Makers Club Inc., West Fargo	3	1,388,117	1,131,654	256,463
Northern Prairie Performing Arts, Fargo	9	1,379,883	1,126,030	253,853
American Foundation for Wildlife, Bismarck	25	1,164,676	911,712	252,964
Development Homes, Inc., Grand Forks	7	1,570,961	1,324,362	246,599
Red River Human Services FND, Fargo	5	1,323,239	1,079,610	243,629
Dickinson Youth Activities, Dickinson	5	1,143,525	916,872	226,653
Knights of Columbus Council, Jamestown	13	959,864	758,680	201,184
Williston State College FND, Williston	10	1,041,563	845,672	195,891
Progress Enterprises, Inc., Jamestown	4	822,843	639,688	182,795
Greater Grand Forks CVB, Grand Forks	5	983,753	810,487	173,266
	<b>174</b>	<b>\$36,683,309</b>	<b>\$29,268,817</b>	<b>\$7,414,492</b>

*The organizations are listed in descending order by Adjusted Gross Proceeds prior to adjustments for Cash Long (+), Gaming Excise Tax (-), and Bingo Sales Tax (-).*

## Lottery Update

Since the Lottery was launched in March 2004, players have won over \$22 million playing the North Dakota Lottery. Lady Luck has found 234 players who have won \$5,000 or more, including sixty \$20,000 2by2 jackpots. The largest prize won in North Dakota was a \$1 million Powerball prize.

All proceeds from the Lottery are contributed to the state's general fund which supports North Dakota citizens. Since March 2004, the general fund contribution has been \$19.9 million. During the 2003 legislative session, it was projected that accumulated state general fund revenue through June 30, 2007 would total only \$3.7 million.



# Appointments to Gaming Advisory Board

The two-year terms of the Advisory Board members expired on June 30, 2007. Gaming Commission Chairman James Wang and Attorney General Wayne Stenehjem have appointed several new members to the twenty member board. Every two years, several members are replaced and others are added to provide individuals an opportunity to volunteer their personal services.

Five new people were appointed and fifteen people were re-appointed to the Advisory Board. Their two-year terms are effective July 1, 2007, through June 30, 2009. The present members of the Advisory Board and their representation are:

## Chairperson:

- Kathy Meagher, North Dakota Special Olympics, Grand Forks

## Organizations

- Rick Stenseth, Northern Prairie Performing Arts, Fargo
- Pete Ressler, American Foundation for Wildlife, Bismarck
- Ardis Olson, Drayton Curling Club, Drayton
- Traci LaDouceur, North Dakota Assoc. for the Disabled, Grand Forks
- Sharon Weber, Grand Forks Blue Line Club Inc., Grand Forks
- Char Schaefer, Mandan Hockey Club, Mandan
- Nicki Weissman,\* ND Hospitality Education Foundation, Bismarck
- Carol Gefre,\* Minot Junior Golf Association, Minot
- Karen Breiner,\* Plains Art Museum (CGAND President), Fargo

## Legislators

- Kathy Hawken, State Representative, Fargo
- William Kretschmar, State Representative, Venturia

## Distributors

- Ken Lien, Lien Games, Inc., Fargo
- Ron Voller, Western Distributing Company, Bismarck
- Rollie Beach,\* Charitable Equipment Inc., Fargo

## Law Enforcement Official

- Chad Spotts, Police Detective, Bismarck

## Other

- Terri Leier-Sprenger, Fargo Gaming Auditor, Fargo
- Vicki Wagner, North Dakota Council of Clubs, Bismarck
- Sven Mickels,\* Mayor, Portland
- Brian Hill, Lessor, Bismarck

\* - New Member

## New Employee in Gaming Division

Patty Wondra joined the Gaming Division as an Auditor I in the Audit section on August 20, 2007. Patty graduated from the University of Mary in May 2003, with a major in Accounting. Her most recent employment was with a CPA firm in Wichita Falls, Texas, before moving back to North Dakota.

The Gaming Division welcomes Patty to the Office of Attorney General.





# Tribal Gaming Operations in North Dakota

The Office of Attorney General's Gaming Division is responsible for assuring compliance with the Tribal-State Gaming Compacts. Although the Governor's office formally negotiates with the tribes regarding the requirements of Class III gaming facilities, the Attorney General's Office is assigned the duty of maintaining compliance. This includes monthly on-site inspections of the Tribal gaming facilities and periodic testing of the slot machines at each site.

A prototype of each new slot machine must be tested by an independent testing laboratory and the results provided to our office. Our office also receives notification at least 48 hours prior to the installation of each new slot machine operated at the tribal casinos. This information allows our office to track the number of electronic gaming devices at each site. All slot machines are also required to be connected to a management information system (also approved by a testing laboratory) to record and maintain information.

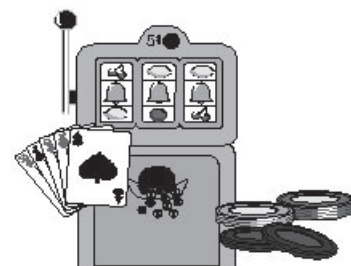
Although the State of North Dakota does not receive any revenue sharing from the tribes, the Attorney General's office is reimbursed for direct expenses related to regulating the tribal gaming facilities. The Office of Attorney General also performs employee background checks every two years on casino employees.

Tribal gaming operations are currently conducted by five tribes in North Dakota which include the following facilities:

- ◆ **Dakota Magic Casino & Hotel.** Operated by the Sisseton Wahpeton Oyate Tribe. The casino property includes a 125 room hotel, golf course, two restaurants, lounge, convenience store, smoke and gift shop, event center, and RV Park at Exit 1 on I-29 near the North and South Dakota border. The facility employs 599 people and contains 902 slot machines and 18 table games.
- ◆ **Four Bears Casino & Resort.** Operated by

the Mandan, Hidatsa, and Arikara Nation (Three Affiliated Tribes). The casino and resort contains a 97 room hotel, marina, two restaurants, lounge, convenience store, gift shop, RV Park, and event center located 4 miles west of New Town, ND. The facility employs 388 people and contains 591 slot machines and 12 table games.

- ◆ **Prairie Knights Casino & Resort.** Operated by the Standing Rock Sioux Tribe. The casino and resort includes a 96 room hotel, marina and RV Park, convenience store, two restaurants, lounge, gift shop, and event center located 46 miles south of Mandan, ND on Hwy 1806. The facility employs 356 people and contains 623 slot machines and 9 table games.
- ◆ **Sky Dancer Casino & Hotel and Mini-Casino.** Operated by the Turtle Mountain Band of Chippewa Indians. The main casino facility includes a 96 room hotel, restaurant, snack bar, lounge, gift shop, bingo hall, and simulcast racing room on Hwy 5 west of Belcourt, ND. A second mini-casino is also operated in the town of Belcourt. The two casino facilities employ 429 people and include 566 slot machines and 12 table games.
- ◆ **Spirit Lake Casino & Resort.** Operated by the Spirit Lake Tribe. The alcohol-free casino and resort includes a 124 room hotel, marina, two restaurants, RV Park and 6 cabins, convenience store, smoke and gift shop, and an auditorium located 7 miles south of Devils Lake, ND on Hwy 57. The facility employs 415 people and contains 660 slot machines and 13 table games.



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Bismarck, ND 58505-0040

**[www.ag.nd.gov](http://www.ag.nd.gov)**

**Official Mail**  
**State of North Dakota**  
**Return Service Requested**

## New Gaming Tax Return Booklets Mailed

All licensed organizations should have received new tax return booklets, including the forms and instructions for preparing the gaming tax returns for each of the four quarters for the fiscal year July 1, 2007 through June 30, 2008. The forms have been revised to accommodate the new 3% Bingo Excise tax, which replaces the 5% state sales tax previously collected on the sale of bingo cards. If your organization has not received its tax return booklet, if you have any questions regarding preparation of the forms, or if you need additional forms, please contact our office at 1-800-326-9240 or 328-4848 (local). Additional paper forms or preparing the forms on our self-calculating tax return is available on our office's web page at [www.ag.nd.gov](http://www.ag.nd.gov).

## On-Line Tax Return Forms Updated

The revised Long Form and Short Form Gaming Tax Returns and "Auto Calculating" Gaming Tax Returns have been updated on the Office of Attorney General's web page to accommodate the new 3% Bingo Excise tax that replaces the previously collected Bingo Sales tax paid to the State Tax Department. If you have any questions regarding the on-line Gaming Tax Returns, please contact Deb McDaniel at 328-4848 (local) or 1-800-326-9240.